

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 RSR-01 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 SAL-01 OMB-01 XMB-07

OPIC-12 NSC-10 SS-15 EA-11 NEA-10 /169 W

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R 051326 Z APR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 4998

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME GYURU

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 1870

NOFORN

PASS TREASURY, FRB AND CEA

E. O. 11652: GDS

TAGS: EFIN, EEC, US

SUBJ: EC COMMISSION ROLE IN MONETARY AFFAIRS

1. THE GROWING IMPORTANCE OF THE COMMUNITY' S  
ACTIVITIES IN MONETARY AFFAIRS MAKES IT TIMELY FOR  
THE MISSION TO COMMENT ON THE PERSONNEL AND ORGANIZA-  
TION OF THE C COMMISSION IN THIS FIELD. THESE WERE,  
INCIDENTALLY, THE SUBJECT OF AN INTERESTING ARTICLE  
IN THE CONOMI T OF MARCH 31, 1973 DESCRIBING UK  
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IMPATIENCE WITH COMMISSION SHORTCOMINGS IN MONETARY AFFAIRS.

2. ALTHOUGH THE TREATY OF ROME DOES NOT SPECIFICALLY ASSIGN A MONETARY ROLE TO THE COMMISSION, THE LATTER'S AUTHORITY TO MAKE PROPOSALS TO THE COUNCIL GIVES IT A SUBSTANTIAL OPPORTUNITY FOR INITIATIVE. MOROVER, THE OCTOBER 1972 EUROPEAN SUMMIT AS WELL AS VARIOUS EC COUNCIL DECISIONS ON MONETARY MATTERS HAVE INEVITABLY ENHANCED THE IMPORTANCE OF THIS ASPECT OF THE COMMISSION'S WORK. BY THE BEGINNING OF MAY, THE COMMISSION MUST SUBMIT TO THE COUNCIL A SET OF PROPOSALS ON THE SECOND PHASE OF ECONOMIC AND MONETARY UNION SCHEDULED TO BEGIN IN 1974. BY JUNE 30, THE COMMISSION MUST PRODUCE A STUDY ON THE CONDITIONS FOR PROGRESSIVE POOLING OF RESERVES AND THE ADJUSTMENT OF SHORT-TERM MONETARY SUPPORT. IT IS ALSO WORTH NOTING THAT THE COMMISSION'S RESPONSIBILITIES IN CONNECTION WITH MONETARY AND ECONOMIC UNION TRANSCEND THE PURELY MONETARY AREA. THUS, THE COMMISSION ALSO MAKES PERIODIC PROPOSALS ON THE COORDINATION OF ECONOMIC POLICIES, COMMUNITY-LEVEL STABILIZATION MEASURES AND INTEGRATION OF CAPITAL MARKETS.

GIVEN THE MONETARY STAFF OF THE EC COMMISSION HAS LONG BEEN CONSIDERED BY MANY TO BE INADEQUATE. THE ARRIVAL OF THE BRITISH, THE APPOINTMENT OF A DIFFERENT EC COMMISSIONER (HAFERKAMP) FOR ECONOMIC AND FINANCIAL AFFAIRS, AND FINALLY THE RECENT MONETARY CRISES HAVE ALL DRAMATIZED THE COMMISSION'S WEAKNESS IN THIS AREA AND GIVEN RISE TO BRITISH IMPATIENCE AND DETERMINATION TO IMPROVE MATTERS. A NUMBER OF OUR CONTACTS TELL US THE UK'S INSISTENCE ON BRUSSELS AS A SITE FOR THE MONETARY COOPERATION FUND IS LINKED TO ITS DETERMINATION TO STRENGTHEN THE COMMISSION'S MONETARY STAFF.

4. THERE ARE SEVERAL EXPLANATIONS FOR THE COMMISSION'S PROBLEMS. FIRST OF ALL, THE COMMISSION HAS BEEN STAFFED WITH PERSONNEL WHO, ALTHOUGH PROFESSIONALLY TRAINED, ARE TOO FEW AND DO NOT POSSESS THE GENERAL ABILITY AND TECHNICAL COMPETENCE IN MONETARY MATTERS THAT WOULD SEEM NECESSARY FOR THE COMMISSION TO PLAY A BIGGER  
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ROLE. IN FACT, THE COMMISSION DOES NOT HAVE A SINGLE

MONETARY ECONOMIST OF RECOGNIZED INTERNATIONAL STATURE. SECONDLY, NONE OF THE COMMISSIONERS HOLDING THIS PORTFOLIO IN RECENT YEARS HAS DEMONSTRATED BOTH TECHNICAL COMPETENCE AND POLITICAL SKILL AND DRIVE IN GUIDING THE COMMISSION'S ACTIVITIES. ALTHOUGH FORMER COMMISSIONER RAYMOND BARR WAS A RESPECTED PROFESSOR OF ECONOMICS, HE HAD LITTLE POLITICAL INFLUENCE AND DID NOT TRY TO PRESS THE COMMISSION INTO A LEADING ROLE. BARRE'S SUCCESSOR, WILHELM HAFERKAMP, COMES FROM A TRADE UNION BACKGROUND AND HAS VIRTUALLY NO EXPERIENCE IN MONETARY MATTERS. GIVEN THIS LACK OF CREDENTIALS, IT IS PERHAPS SURPRISING IN THE VIEW OF SOME EC OFFICIALS HERE THAT HAFERKAMP'S CABINET HAS NOT BEEN STRENGTHENED BY THE ADDITION OF A GERMAN MONETARY ECONOMIST.

5. AT THE DIRECTORATE GENERAL LEVEL, THE COMMISSION'S MONETARY AFFAIRS ARE HANDLED BY AN ITALIAN DIPLOMAT, IGO MOSCA. ALTHOUGH CONSIDERED ABLE AND WELL VERSED IN THE SUBJECT MATTER, MOSCA HAS SEEMED MORE GUIDED BY A DESIRE TO AVOID OFFENDING THE SENSITIVITIES OF THE MEMBER STATES THAN BY FIRM CONVICTION THAT THE COMMISSION SHOULD TRY TO PROVIDE LEADERSHIP. MOSCA'S PRINCIPAL ASSISTANT IN MONETARY AFFAIRS IS A FRENCHMAN FREDERIC BOYER DEL LA GIRODAY. BOYER IS DYNAMIC, COLORFUL, AND IMAGINATIVE. ACCORDING TO SOME OF HIS CO-WORKERS, HOWEVER, HE LACKS EXECUTIVE ABILITY. COMPLAINTS OF HECTIC AND CHAOTIC WORKING CONDITIONS HAVE RESULTED IN THE TRANSFER OF AT LEAST ONE OF BOYER'S MOST ABL SUBORDINATES. WORKING CLOSELY WITH MOSCA AND OTHER KEY EC OFFICIALS ON MONETARY AFFAIRS IS AN ITALIAN, GIAMPIETRO MORELLI. SECRETARY OF THE MONETARY COMMITTEE, MORELLI HAS REGULAR CONTACT WITH HIGH-RANKING OFFICIALS FROM THE MEMBER STATES. THOUGH HIGHLY COMPETENT AND RESPECTED, MORELLI IS MORE OF A COORDINATOR AND ADMINISTRATOR THAN A POLICY-MAKING OFFICIAL. GREENWALD

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C O N F I D E N T I A L SECTION 2 OF 2 EC BRUSSELS 1870

NOFORN

PASS TREASURY, FRB AND CEA

6. THE RESHUFFLING OF DIRECTOR GENERAL POSITIONS IN THE COMMISSION RESULTED IN MOSCA' S RETENTION. TO STRENGTHEN THE DIRECTORATE GENERAL, HOWEVER, IT WAS DECIDED THAT BOYER' S MONETARY AFFAIRS DIVISION WOULD BE SPLIT AND A NEW UK DIRECTOR APPOINTED ON A PAR WITH BOYER. WHILE BOYER WOULD REMAIN RESPONSIBLE FOR INTERNATIONAL MONETARY AFFAIRS AND INTERNAL EC EXCHANGE MARKET OPERATIONS, INCLUDING THE MONETARY COOPERATION FUND, THE NEW UK DIRECTOR WOULD TAKE OVER CAPITAL MARKETS AND INTERNAL MONETARY AND CENTRAL BANK CREDIT POLICY. CONFIDENTIAL

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WE UNDERSTAND AN ENGLISHMAN IS STILL BEING SOUGHT FOR THE POSITION, ONE OR MORE CANDIDATES HAVEING ALREADY TURNED IT DOWN. IT IS BY NO MEANS CERTAIN, HOWEVER, THAT THE ADDITION OF NEW PERSONNEL AND A NEW DIVISION OF RESPONSIBILITIES WILL ALLEVIATE THE COMMISSION' S SHORTCOMINGS. PROBLEMS OF COORDINATION AND OVERLAPPING FUNCTIONS MAY WELL REMAIN.

7. IN FAIRNESS TO THE COMMISSION, IT MUST BE SAID THAT THE MEMBER STATES HAVE SHOWN LITTLE INCLINATION TO

GRANT THE COMMISSION MUCH RESPONSIBILITY IN THE MONETARY AFFAIRS. JEALOUS OF THEIR PREROGATIVES, THE MEMBER STATES MORE OFTEN THAN NOT HAVE GIVEN COMMISSION PROPOSALS SHORT SHRIFT. OOOVIOUSLY, HOWEVER, THE COMMISSION' S INADEQUACIES AS DESCRIBED ABOVE HAVE TENDED TO CONVINCE THE MEMBER STATES THAT THEY ARE CORRECT IN LIMITING THE COMMISSION' S INFLUENCE.

8. RE BONN 4802- NOTAL, WE UNDERSTAND HAFERKAMP' S CABINET BEGAN LOOKING FOR A UK MONETARY EXPERT FOR THE CABINET LAST FEBRUARY AND THAT A YOUNG ENGLISHMAN WAS OFFERED THE JOB BUT REFUSED IT. ACCORDING TO OUR INFORMATION, THE IDEA IS STILL UNDER CONSIDERATION, ALTHOUGH THERE IS NO ACTIVE SEARCH FOR A CANDIDATE AT THIS TIME. GREENWALD

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\*\*\* Current Classification \*\*\* CONFIDENTIAL

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